

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL

**FROM:** KARL T. KLEIN  
DEPUTY ATTORNEY GENERAL

**DATE:** APRIL 18, 2014

**SUBJECT:** IDAHO POWER'S PCA APPLICATION, CASE NO. IPC-E-14-05

On April 15, 2014, Idaho Power Company filed its annual Power Cost Adjustment (PCA) Application. According to the Company, if the Application (including a base rate increase and mitigation proposal) is approved, the Company's Idaho customers will collectively pay about \$11.1 million (or 1.04%) more for electricity in the upcoming year than they do now, and a typical residential customer's bill would increase by about 57¢ per month. The Company asks for a June 1, 2014 effective date, and for the Commission to process the Application under Modified Procedure.

### APPLICATION SUMMARY

The Company's Application makes three requests.

1. Revenue Neutral Base Rate Update. First, the Company asks the Commission to determine that the Company has correctly calculated new base rates as directed by the Commission's Net Power Supply Expense ("NPSE") Order in Case No. IPC-E-13-20, Order No. 33000. In that Order, the Commission approved a new normalized or "base level" NPSE for the Company of \$305,684,869, and directed the Company to use the new base level NPSE to: (1) update base rates effective June 1, 2014, and (2) quantify the 2014/2015 PCA rates to be effective June 1, 2014. The Order also directed the Company to implement the new base level NPSE without impacting the overall revenue collected through customer rates and in a manner that is "revenue neutral" for all classes of Idaho customers. *See* Order No. 33000 at 9. With this Application, the Company says it has updated base rates as required by the prior Order and that

the new base rates will allow it to collect an extra \$99.3 million in base level NPSE and increase DSM Rider funds by about \$4 million per year. To ensure the base rate increase is “revenue neutral,” the Company proposes to use the extra \$4 million in the DSM Rider revenue to credit customers in the 2014-2015 PCA and until such time as the NPSE recovery level is again reset. The Company also is updating Schedule 89 (Unit Avoided Energy Cost for Cogeneration and Small Power Production) to reflect the new NPSE amounts. Application at 5-6; Press Release accompanying Application.

2. New PCA Rates. Second, the Company asks the Commission to approve an \$87.5 million PCA amount for 2014-2015, which the Company says is \$72.1 million less than 2013-2014 PCA collection. The new PCA amount includes the three standard PCA components (forecasted power costs, “true-up,” and reconciliation of the “true-up”) and about a \$7.6 million rate credit under a revenue sharing mechanism previously approved by the Commission. Application at 2, 6-9; Direct Testimony of Timothy Tatum (“Tatum Di”) at 5.

The Company primarily attributes the proposed PCA increase to persistent dry weather conditions that occurred in 2013 through January 2014. The Company explains that it had forecasted 6.8 million megawatt-hours (“MWh”) of hydroelectric generation for the 2013-2014 PCA year, but that the dry weather decreased actual hydroelectric generation to only 5.7 million MWh. Because there was less hydro generation than the Company forecast, the Company had to use more expensive resources to meet its customers’ electricity needs and had lower than expected surplus sales. *See* Application at 9; Tatum Di at 14-16, 24-25; Idaho Power News Release. The Company says the new PCA and new base rates would combine to increase the Company’s annual billed revenue from customers by \$27.1 million. Application at 2.

3. Mitigation of PCA Impact. Third, the Company asks the Commission to mitigate the impact of this year’s PCA on rates. In summary, the Company proposes to offset this year’s \$87.5 million PCA collection with \$16 million in surplus funds from the Idaho Energy Efficiency Rider (“DSM Rider”) balancing account. The Company says this would result in a total transfer of \$20 million of DSM Rider funds into this year’s PCA.

The Company says its Application, if approved, will increase the amount its Idaho customers collectively pay for electricity in the upcoming year by about \$11.1 million (or 1.04%), which is the combined \$27.1 million PCA/base rate increase minus the \$16 million in

surplus DSM Rider funds. See Application at 2, 9; Tatum Di at 4-5. The Company's Application would impact major customer classes as follows:

**Proposed 2014 Billed Revenue Impact by Class:**

**Percentage Increase from Current Prices**

Residential	Small General Service	Large General Service	Large Power	Irrigation	Overall Change
0.56%	0.15%	1.29%	2.02%	1.04%	1.04%

Source: Application Atch. 2 (as corrected by Company's April 16, 2014 filing; See also, Press Release accompanying Application.

The percent increase to billed revenue for the Company's three special contract customers during the PCA year would be as follows: Micron—2.60%; Simplot—2.63%; DOE (INL)—2.56%. *Id.*

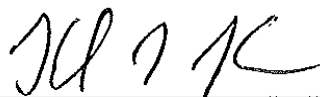
**PROPOSED SCHEDULING**

Commission Rule 127 provides that the Commission will determine whether the Staff should conduct a public workshop “[w]hen a public utility files an application to increase any rate. . . .” IDAPA 31.01.01.127. In this case, Staff believes a workshop may be warranted if customers request one or if large numbers of public comments are received.

As in past years, the Company asks the Commission to process its Application under Modified Procedure. Staff concurs with the use of Modified Procedure. Given the current demands on Staff, Staff recommends a May 16, 2014 comment deadline and a May 21, 2014 reply deadline.

**COMMISSION DECISION**

Does the Commission wish to process the Application by Modified Procedure and set comment and reply deadlines as noted above?



Karl Klein  
Deputy Attorney General

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